

REPORT BY THE  
AUDITOR GENERAL  
OF CALIFORNIA

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**CALIFORNIA CAN IMPROVE ITS PROGRAM  
TO FUND ASBESTOS ABATEMENT PROJECTS  
IN SCHOOL DISTRICTS**

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REPORT BY THE  
OFFICE OF THE AUDITOR GENERAL

P-773

CALIFORNIA CAN IMPROVE ITS  
PROGRAM TO FUND ASBESTOS ABATEMENT  
PROJECTS IN SCHOOL DISTRICTS

AUGUST 1988



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Auditor General

August 24, 1988

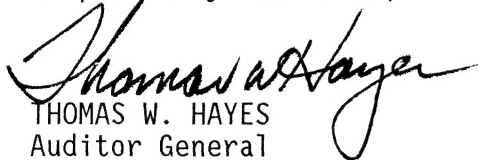
P-773

Honorable Bruce Bronzan, Chairman  
Members, Joint Legislative  
Audit Committee  
State Capitol, Room 448  
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning the State's program to fund asbestos abatement projects in school districts. The report indicates a need for the State to develop and implement time limits for processing school districts' applications for state asbestos abatement funds. It also indicates a need for the State to meet all federal deadlines for submitting applications to the federal government for federal asbestos abatement funds.

Respectfully submitted,

  
THOMAS W. HAYES  
Auditor General

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## SUMMARY

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### RESULTS IN BRIEF

The State of California can improve its program to fund asbestos abatement projects in school districts. The State's Office of Local Assistance (OLA) of the Department of General Services administers the Asbestos Abatement Fund from which the OLA has disbursed to school districts approximately \$8.6 million of the \$24.75 million that has been appropriated to it since the fund's creation in 1984. During our review, we noted the following conditions:

- The State does not promptly process applications from school districts for monies from the Asbestos Abatement Fund. In addition, school districts have been slow in submitting the documentation required to support their applications for asbestos abatement funds. As a result, some school districts have not received available state funds to abate asbestos in their schools; and
- The State failed to meet a deadline for submitting to the federal government an application for federal funds to inspect for asbestos-containing material and to develop plans for abating this asbestos. As a result, California and its school districts lost the opportunity to compete for up to \$500,000 in federal funds.

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### BACKGROUND

From 1946 to 1972, asbestos was used widely in school building construction for fireproofing, insulation, decoration, and acoustical purposes. Friable asbestos, which is considered friable when it can be crumbled, pulverized, or reduced to powder by hand pressure when dry, releases fibers into the air. Exposure to these fibers poses serious

health hazards, especially to children. The department's OLA is responsible for administering the Asbestos Abatement Fund, which provides matching funds for the safe and expeditious containment or removal of health-threatening asbestos materials in schools. The State Allocation Board (SAB), which consists of seven members, establishes policies for allocating the fund to school districts and establishes funding priorities based on the imminence of the health hazards caused by asbestos in schools.

In addition, the federal government has enacted legislation that makes funds available to school districts to assist them in complying with federal requirements regarding the abatement of asbestos in schools. School districts can apply for these funds through the OLA. Under one act of federal legislation, the federal government has offered \$156.8 million to school districts throughout the nation for their asbestos abatement projects. The United States Environmental Protection Agency (EPA), which is responsible for distributing these funds, has developed a formula for distributing them. Using this formula, the federal government determined that many California school districts do not meet the eligibility criteria for receiving federal assistance for asbestos abatement projects. As a result, California school districts have received only \$1.2 million of the national total of \$156.8 million, or less than one percent of this total amount.

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## PRINCIPAL FINDINGS

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The State Has Been Slow in Processing  
Applications From School Districts  
for Asbestos Abatement Funds

As of February 3, 1988, 43 of the 100 applications in our sample are over two and one-half years old, and the OLA still has not released funds for these applications. Based

on these results, we estimate that at least 275 (31 percent) of the 892 applications received by the OLA since the program's inception in 1984 are over two and one-half years old and are still pending. As a result, these school districts have not received available state funds to abate asbestos in their schools. Further, new applicants are not receiving funds to abate asbestos because nearly all current asbestos abatement funds have been apportioned to many of those applications that are still pending. However, the SAB apportioned funds for some applications submitted in early 1985 even though the school districts had not submitted proof that asbestos problems existed. Moreover, the SAB still has funds apportioned for one of these school districts even though the school district still cannot provide the necessary documentation to prove that it qualifies for asbestos abatement funds. Because the OLA has not recommended that the SAB rescind the funds for this school district, funds are unavailable for new applicants. Also, the OLA has failed to recommend that the SAB rescind funds reserved for other applications that do not qualify for funding.

The delays in the processing of applications occurred because, until March 1988, the SAB had not established limits on how long it would reserve funds for school districts. As a result, school districts have been slow in submitting the documentation required to support their applications for asbestos abatement funds. Furthermore, the OLA has not established deadlines for completing its internal processing of applications. Also, the executive officer of the OLA states that the OLA has had insufficient staff to process applications. The OLA has assigned more staff to process them, but the delays have continued to occur. The OLA has not requested additional staff to process the applications.

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The State's Failure To Meet a  
Deadline for Submitting an Application  
for Federal Funds Resulted in California  
and Its School Districts Losing  
an Opportunity To Compete for up to  
\$500,000 for California School Districts

The State failed to meet a September 1, 1987, deadline for submitting to the EPA an application for federal funds to inspect for asbestos-containing material and to develop plans for abating this asbestos. As a result, California and its school districts lost the opportunity to compete for up to \$500,000 in federal funding for their asbestos abatement projects. The department's director stated that the OLA was not given responsibility for obtaining these federal funds until October 1987. The director also stated that the department had insufficient time to apply for these federal funds.

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**CORRECTIVE ACTION**

In March 1988, the OLA requested that the SAB place limits on the length of time that it keeps asbestos abatement funds apportioned to school districts. The SAB agreed to the OLA's request.

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**RECOMMENDATIONS**

To more effectively administer its program to fund asbestos abatement projects in school districts, the Office of Local Assistance of the Department of General Services should take the following actions:

- Ensure that school districts promptly submit all documentation necessary to qualify for asbestos abatement funds by informing these school districts of the new time limits for reserving funds;



- Develop and implement deadlines for each step in the internal processing of school districts' applications, and ensure adherence to these deadlines;
- Propose to the State Allocation Board that it rescind all funds that it has apportioned for school districts that do not qualify for funding and school districts that cannot provide the necessary documentation to qualify for funding, and apportion these funds to eligible school districts currently applying for asbestos abatement funds; and
- In the future, meet all federal deadlines for submitting applications to the federal government for federal funds to inspect for asbestos-containing materials and to develop plans for abating this asbestos.

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#### AGENCY COMMENTS

The State and Consumer Services Agency states that the Office of Local Assistance (OLA) is taking the following corrective action:

- On March 23, 1988, as noted in the report, the OLA implemented limits on the length of time that asbestos abatement apportionments may be kept;
- The OLA is developing an automated database to improve the processing of applications. The OLA is also implementing staff performance goals to ensure prompt application reviews and fund releases;
- As a result of the implementation of limits on the length of time that asbestos abatement apportionments may be kept, the OLA will propose to the State Allocation Board that it rescind up to 68 asbestos abatement projects in October 1988 and up to 156 projects in April 1989. A preliminary review indicates that as much as \$1.3 million may be rescinded because school districts did not comply with the OLA's new policy on time limits; and

- Of the three primary types of federal programs for asbestos abatement, the OLA has been prompt in the submission of applications for Asbestos School Hazard Abatement Act projects. In addition, although the OLA missed one deadline for funding to inspect for asbestos-containing material and to develop plans for abating this asbestos, the OLA did promptly submit an application for a second round of such funding. Although similar criteria were used as in the first round of such funding, California did not receive any funding because it did not qualify under the Environmental Protection Agency's criteria. Finally, the deadline under the Asbestos Hazard Emergency Response Act has been extended for local education agencies to submit plans to the State for the schools under their jurisdiction.

To obtain monies from the Asbestos Abatement Fund, a California school district must first submit an application to the OLA. The OLA then reviews the application and, when the school district has submitted to the OLA a total of ten required forms, sends the application to the SAB for approval. These ten required forms include a laboratory analysis certifying that friable asbestos exists at a school site and a statement certifying that the school district will provide its share of any costs for performing the work. Once the SAB approves the application, it apportions monies from the fund to the school district. When the OLA has received all additional required documents from the school district, the OLA disburses monies from the fund to the district for its asbestos abatement project.

The federal government also has enacted legislation and regulations regarding the abatement of asbestos in schools. In 1982, the EPA enacted regulations to address the problems of asbestos in schools, under the provisions of the Toxic Substances Control Act. The EPA regulations required local education agencies to inspect school buildings to identify friable asbestos material. In 1984, the federal government implemented the Asbestos School Hazard Abatement Act to provide, among other things, school districts with funds for the abatement of asbestos threats to the health and safety of school children and school employees. Furthermore, in 1986, the federal government enacted the Asbestos Hazard Emergency Response Act (AHERA), which required the school districts to develop plans for abating any

## INTRODUCTION

From 1946 to 1972, asbestos was used widely in school building construction for fireproofing, insulation, decoration, and acoustical purposes. When asbestos material is damaged, has deteriorated, or is disturbed as a result of abrasion, water leakage, or forced air circulation, it can become "friable." Asbestos material is considered friable when it can be crumbled, pulverized, or reduced to powder by hand pressure when dry. Friable asbestos materials release microscopic fibers into the air, and exposure to these fibers poses serious health hazards, especially to children. The United States Environmental Protection Agency (EPA) estimates that children from the ages of 5 to 10 who are exposed to asbestos in the air have at least ten times the chance of developing asbestos-related health disorders than an adult between the ages of 35 and 40 who is exposed to the same level of asbestos. These disorders include mesothelioma, a fatal cancer of the lining of the lungs or stomach, and asbestosis, a fatal scarring of the lungs.

The Office of Local Assistance (OLA) of California's Department of General Services (department) is responsible for administering state programs and funds that provide financial assistance to school districts, including funds for asbestos abatement. In 1984, the State enacted legislation that established the Asbestos Abatement Fund to provide matching funds for the safe and

expeditious containment or removal of health-threatening asbestos materials in schools. This legislation directs the State Allocation Board (SAB) to establish policies for allocating the fund to school districts and authorizes the SAB to establish funding priorities based on the imminence of the health hazards caused by asbestos in schools.

The SAB consists of seven members, including the director of the department, the director of the Department of Finance, the superintendent of Public Instruction, two members of the Senate, and two members of the Assembly. The SAB administers and allocates the Asbestos Abatement Fund through the OLA. Since the creation of the fund in 1984, the Legislature and the governor have appropriated \$24.75 million to the fund through the state budget and the legislation that created the fund. As of March 31, 1988, the OLA has disbursed approximately \$8.6 million of the \$24.75 million to school districts that have applied for monies from the fund. Further, the OLA has apportioned almost all of the remaining \$16.15 million to other school districts that have applied for funds for their asbestos abatement projects. The Legislature and the governor have not appropriated additional monies to the fund since fiscal year 1986-87, and in his budget proposal for 1988-89, the governor proposed no appropriations for the fund.

asbestos located in their schools and to submit this plan to their states by October 1988. The AHERA also authorized the Asbestos Inspection and Management Plan Assistance Program, which provides financial assistance to states that may, in turn, make funds available to school districts to assist them in complying with the AHERA requirements. California school districts can apply for these funds through the OLA.

From 1985 to 1988, the federal government, under the Asbestos School Hazard Abatement Act program, authorized the allocation of \$156.8 million in loans and grants to assist school districts throughout the nation in their asbestos abatement projects. The EPA, which is responsible for ensuring the protection of the environment by abating and controlling harmful pollution on a systematic basis, distributes these monies to school districts through a formula, the purpose of which is to equalize the burden of raising asbestos abatement funds among the school districts. This formula is based upon several items, including the cost of the asbestos abatement project, the ratio of the project cost to the per capita income of residents of the school district, and the aggregate income of the residents of the school district. The formula is designed to ensure that the neediest schools receive up to 100 percent of their project costs while the wealthiest schools receive little or no assistance. Using this formula, the federal government determined that many California school districts do not meet the eligibility criteria for receiving federal

assistance for asbestos abatement projects. As a result, California school districts have received only \$1.2 million of the national total of \$156.8 million, or less than one percent of this total amount.

#### SCOPE AND METHODOLOGY

The purpose of this audit was to review and evaluate the OLA's administration of its program to fund asbestos abatement projects in school districts, including the process by which the OLA reviews applications and disburses funds to school districts for asbestos abatement projects. We also evaluated the OLA's efforts to obtain for school districts federal funds to inspect for asbestos-containing material and develop plans for abating this asbestos.

We interviewed EPA officials, reviewed EPA reports, and obtained documentation to determine the total amount of federal funds available from the Asbestos School Hazard Abatement Act program for California from 1985 until 1988. We also obtained documentation from the EPA to determine the amount of federal funding disbursed to California school districts since the implementation of this federal program.

We determined the requirements for obtaining monies from the state Asbestos Abatement Fund by reviewing the OLA's procedures for processing applications, interviewing department officials, and constructing flow charts of the application process. We reviewed

budget bills to determine the amount of money apportioned to the fund. We also reviewed reports from the State Controller's Office to determine the amount of money disbursed from the fund.

To determine the number of applications for monies from the fund that the SAB has approved, the number that the OLA determined did not qualify for funding, and the number that were pending the receipt of additional documents as of February 3, 1988, we selected a random sample of 100 of the 892 total applications that the department has received from the beginning of the program and verified their funding status using information recorded in the department's files. Furthermore, for our sample, we reviewed the length of time that the OLA took to process applications for each year since the fund was created. We used the information from this review to compute the average length of time that the OLA took to process pending applications. For those applications pending over two and one-half years, we interviewed OLA and school district officials to determine why the delays had occurred. The Appendix to this report presents tables summarizing information regarding the sample of 100 applications.

In addition, we reviewed the 24 applications in our sample that the SAB had approved to determine whether the applicants were properly funded. Further, we reviewed the 14 applications in our sample that the OLA determined did not qualify for funding to evaluate whether these determinations are correct; we also reviewed these



applications to determine whether the SAB promptly rescinded the apportionments for these school districts.

In addition, we conducted site visits to 3 schools in the 24 sample school districts that had funded asbestos abatement projects by February 1988 to verify that this work had been accomplished. In addition, to determine whether school districts received funding for the same work on a project from both the Asbestos Abatement Fund and the State School Building Lease-Purchase Fund, another fund administered by the OLA that provides funds to school districts, we reviewed the files for three projects at three other schools that were funded by both programs and conducted site visits at these projects. We verified that the asbestos abatement work has been completed at the first three schools, and we found no evidence of double funding at the other three schools that we visited.

## AUDIT RESULTS

### CALIFORNIA CAN IMPROVE ITS PROGRAM TO FUND ASBESTOS ABATEMENT PROJECTS IN SCHOOL DISTRICTS

The State of California can improve its program to fund asbestos abatement projects in school districts. Specifically, the Office of Local Assistance (OLA) of the Department of General Services (department) has been slow in processing school districts' applications for asbestos abatement funds. As of February 3, 1988, 43 of the 100 applications in our sample are over two and one-half years old, and the OLA still has not released funds for these applications. Based on these results, we estimate that at least 275 (31 percent) of the 892 applications received by the OLA since the program's inception in 1984 are over two and one-half years old and are still pending. As a result, these school districts have not received available state funds to abate asbestos in their schools. Further, new applicants are not receiving funds to abate asbestos because nearly all current asbestos abatement funds have been apportioned to many of those applications that are still pending. However, the State Allocation Board (SAB) apportioned funds to some applications submitted in early 1985 even though the school districts had not submitted proof that asbestos problems existed. Moreover, the SAB still has funds apportioned for one of these school districts even though the school district still cannot provide the necessary documentation to prove that it qualifies for asbestos abatement funds. Because the OLA has not recommended that

the SAB rescind the funds apportioned to this school district, funds are unavailable for new applicants. Also, the OLA has failed to recommend that the SAB rescind funds reserved for other applications that do not qualify for funding. In March 1988, the SAB established time limits on how long it may reserve asbestos abatement funds for school districts.

The delays in the processing of applications occurred because, until March 1988, the SAB had not established limits on how long it would keep funds apportioned to school districts. As a result, school districts have been slow in submitting the documentation required to support their applications for asbestos abatement funds. Furthermore, the OLA has not established deadlines for completing its internal processing of applications. Also, the executive officer of the OLA states that the OLA has had insufficient staff to process applications. The OLA assigned more staff to process them, but the delays have continued to occur. The OLA has not requested additional staff to process the applications.

In addition, the State failed to meet a deadline for submitting to the Environmental Protection Agency (EPA) an application for federal funds to inspect for asbestos-containing materials and to develop plans for abating this asbestos. As a result, California and its school districts lost the opportunity to compete for up to \$500,000 in federal funding.

The State Has Been Slow in Processing  
Applications From School Districts  
for Asbestos Abatement Funds

The Legislature considers asbestos in schools to be a serious problem. In 1984, the State enacted Chapter 1751, Statutes of 1984. This chapter included Section 39619.9 of the Education Code, which created the Asbestos Abatement Fund. Chapter 1751 also added Section 49410 of the Education Code, which states that the use of asbestos in school construction from 1946 to 1973 can result in the exposure of children and school employees to dangerous levels of asbestos fibers when asbestos fibers are released into the air. The intent of this legislation is to assist school districts in the safe and expeditious containment or removal of asbestos from school buildings. Since the establishment of the fund in 1984, the Legislature has appropriated \$24.75 million to the fund.

The SAB establishes policies for allocating funds to school districts and establishes funding priorities based on the imminence of health hazards caused by asbestos in schools. The department's OLA is responsible for processing applications from school districts for the funds necessary to contain or remove asbestos from California schools. Because of the hazard imposed by asbestos in schools to children and school employees, it is necessary to contain or remove this asbestos as quickly as possible. However, as of February 1988, the OLA had not

recommended to the SAB any criteria for the length of time that the OLA should take to process school districts' applications for asbestos abatement funds.

Our analysis of a sample of 100 applications from school districts for asbestos abatement funds indicates that, as of February 3, 1988, 43 of the 100 applications are over two and one-half years old, and the OLA still has not released funds for these applications. Based on these results, we estimate that at least 275 (31 percent) of the 892 applications that the OLA has received since 1984 are over two and one-half years old and are still pending.

Further, almost \$16.15 million of the \$24.75 million that the State has appropriated to the Asbestos Abatement Fund since 1984 has been apportioned for many of the pending applications. The delays in the processing of applications have occurred for several reasons, including the fact that school districts have not yet submitted the documentation required to support their claims for asbestos abatement funds. Table 1 shows the length of time that sample applications for which the SAB apportioned funds have been pending, and Table 2 shows the length of time that sample applications for which the SAB did not have funds apportioned have been pending.

**TABLE 1**

**THE LENGTH OF TIME THAT APPLICATIONS FOR WHICH  
THE SAB APPORTIONED FUNDS HAVE BEEN PENDING  
FROM A SAMPLE OF 100 APPLICATIONS  
JANUARY 28, 1985 TO FEBRUARY 3, 1988**

<u>Number of Months Applications Have Been Pending</u>	<u>Number of Applications</u>	<u>Amount Applied for</u>
0 - 6	1	\$ 195,545
7 - 12	7	387,839
13 - 18	4	10,044
19 - 24	2	4,138
25 - 30	0	0
31 - 36	35	1,561,706

**TABLE 2**

**THE LENGTH OF TIME THAT APPLICATIONS FOR WHICH  
THE SAB DID NOT HAVE FUNDS APPORTIONED HAVE BEEN PENDING  
FROM A SAMPLE OF 100 APPLICATIONS  
JANUARY 28, 1985 TO FEBRUARY 3, 1988**

<u>Number of Months Applications Have Been Pending</u>	<u>Number of Applications</u>	<u>Amount Applied for</u>
0 - 6	0	\$ 0
7 - 12	1	8,100
13 - 18	1	35,750
19 - 24	3	10,565
25 - 30	0	0
31 - 36	8	189,239*

\* For two of these applications, we could not obtain information about the amount applied for because the schools did not provide cost estimates in their applications.

School Districts Are Not  
Receiving Funds To Abate Asbestos

As a result of the State's failure to promptly fund or deny applications, these school districts have not received available state funds to ensure the expeditious containment or removal of asbestos materials posing a health hazard to school children and employees in their schools. School districts that must wait for asbestos abatement funds may either have to perform the asbestos abatement work with their own funds or wait until they receive state funds to perform the abatement work.

In addition, on March 23, 1988, the SAB reported that some school districts that have submitted applications for asbestos abatement funds cannot be funded. The SAB cannot fund these applications because asbestos abatement funds have been apportioned to many of those school districts that have applied for funds but that have not yet submitted all the documents required to support their applications for the funds. For example, on April 27, 1988, the SAB reviewed the status of new applications from 11 school districts requesting a total of \$870,577 from the Asbestos Abatement Fund. These applications, one of which was received on October 12, 1987, could not be funded because all available funds had been apportioned to earlier applications from other school districts.

However, the SAB apportioned funds to some earlier applications even though the school districts had not submitted proof that asbestos problems existed. The executive officer of the OLA explained that, during early 1985, school districts were only required to submit to the OLA an application for asbestos abatement assistance to have state asbestos abatement funds apportioned to them. However, not all applications that did not contain supporting documentation were eligible for these funds. Specifically, of the 100 applications in our sample, Los Angeles Unified School District submitted 12 during early 1985 for which the SAB apportioned asbestos abatement funds, but for which the district did not submit any supporting documentation because of the 1985 policy. Since October 1986, the OLA has required school districts to submit ten different forms, including a laboratory test certifying that problems with friable asbestos exist at a school site, before the department will apportion funds to the school districts. In October 1987, the Los Angeles Unified School District contacted the OLA, stating that it could not provide laboratory analyses certifying the presence of asbestos for 6 of the 12 applications. However, the OLA did not deny the applications, and, as of June 14, 1988, the OLA had not proposed that the SAB rescind \$37,000 in asbestos abatement funds that had been apportioned to these 6 applications.

Moreover, the OLA has not proposed that the SAB rescind over \$521,000 reserved for the other applications in our sample that do not qualify for funding. For example, on March 13, 1986, the OLA notified the Fremont Unified School District that an application that the



district had submitted did not qualify for funding. However, as of June 16, 1988, over two years later, the OLA had not proposed that the SAB rescind the \$249,000 reserved for this application.

As a result of our audit, the OLA has proposed that the SAB rescind the funds apportioned to 4 of the 12 applications from the Los Angeles Unified School District and an additional 20 applications identified as not qualifying for state funding. When funds for these 24 applications are rescinded, over \$482,000 will become available to other school districts in California. However, the OLA still has not proposed that the SAB rescind the funds apportioned to the other 8 applications from the Los Angeles Unified School District. The funds apportioned to these 8 applications amount to approximately \$67,000.

The executive officer of the OLA stated that the OLA administers its programs at the direction of the SAB and that the SAB did not adopt a policy until March 1988 allowing the OLA to rescind apportioned asbestos abatement funds. However, in the past, the OLA has requested that the SAB rescind apportioned asbestos abatement funds for certain applications, and the SAB has agreed to the OLA's requests. For example, on November 25, 1987, the OLA proposed that the SAB rescind state funds amounting to \$266,400 that had previously been apportioned to seven school districts, and the SAB approved the OLA's proposal.

Finally, the State's failure to promptly process applications for asbestos abatement funds has also resulted in opposition to additional appropriations to augment the Asbestos Abatement Fund. The Legislative Analyst, in the analyses of both the fiscal year 1986-87 and the 1987-88 budget proposals from the governor, stated that the department has not substantiated the need for additional funds and, consequently, the Legislative Analyst has recommended that no further funds be appropriated for asbestos abatement projects. The governor, in his budget proposal for fiscal year 1988-89, stated that the 1987-88 Budget Act appropriation was reduced from \$5 million to \$100,000 since only a portion of the fund had been spent. Also, in his budget proposal for fiscal year 1988-89, the governor proposed no further appropriations to this fund for asbestos abatement projects, despite the fact that new applications from school districts cannot be funded because nearly all the monies in the fund have been apportioned to school districts that have submitted earlier applications.

Reasons for Delays in  
Processing Applications for  
State Asbestos Abatement Funds

The OLA has been slow in recommending that the SAB approve or deny monies for school districts from the Asbestos Abatement Fund for several reasons. Specifically, until March 1988, the SAB had not established limits on how long it would keep funds apportioned to school districts. As a result, school districts have been slow in submitting documentation. For example, one of the school districts in

our sample, East Side Union School District in Santa Clara County, applied for state asbestos abatement funds for one school in the district on March 20, 1985, and the SAB later apportioned \$502,473 to the school. Even though the OLA then made two requests to the school district for additional documentation, the OLA did not specify how long the SAB would keep the funds apportioned to the school district. The school district never responded to the OLA's requests. Consequently, the SAB still has \$502,473 apportioned to this district.

Furthermore, when we contacted the school district, the school district's former business manager stated that, after applying for funds for asbestos abatement, the district conducted tests at the school site that showed that the amount of asbestos fibers in the air did not qualify the school for funding. Thus, the SAB has asbestos abatement funds apportioned to the district even though the district has determined that the school does not qualify for the funds. These monies could be used to fund asbestos abatement projects in other school districts.

In addition, the OLA has not established deadlines for completing its internal processing of applications for asbestos abatement funds. For 38 (88 percent) of the 43 applications in our sample that are still pending after two and one-half years, the OLA waited at least ten months from the date these applications were initially submitted to inform the school districts in writing of the documents necessary to complete their applications. Further, for 16

(37 percent) of the 43 pending applications, the OLA took over 12 months to inform the school districts in writing a second time of the documents needed to complete their applications. For example, the OLA did not respond to one of the applications from the Beverly Hills Unified School District for \$432,340 until March 17, 1986, 11 months after the school district had submitted the application. Furthermore, the OLA did not contact this school district again until April 1988, over two years since the department's previous contact with the district.

The executive officer of the OLA told us that the delays in processing applications for asbestos abatement funds occurred because the OLA had only one staff member assigned to process these applications until February 1986. According to the executive officer, because this employee had other tasks to perform, such as developing the program for processing applications and changing the program to reflect legislative changes, the OLA assigned a very low priority to processing applications needing additional documents for fund apportionments or fund releases. In February 1986, the OLA added additional staff members to process applications for asbestos abatement funds, but the delays continued to occur after this time. The OLA has not requested additional staff to process these applications. The executive officer of the OLA also stated that, in January 1988, the OLA instituted a new system to automatically notify school districts every quarter when the school districts fail to respond to one of the OLA's letters.

The State's Failure To Meet a  
Deadline for Submitting an Application  
for Federal Funds Resulted in California  
and Its School Districts Losing an  
Opportunity To Compete for up to \$500,000

In August 1987, the federal Asbestos Inspection and Management Plan Assistance Program was established under the authority of the Asbestos Hazard Emergency Response Act. The purpose of the program is to provide financial support to states to assist with the costs of inspecting school buildings for materials containing asbestos and preparing management plans for carrying out the abatement of asbestos in these school buildings.

For states interested in applying for these funds, the EPA required that the states submit an application to their respective EPA regional office and the EPA headquarters in Washington D.C., by September 1, 1987. EPA officials at the regional offices conducted a preliminary review of the states' applications and then forwarded the applications, along with their comments, to EPA headquarters by September 8, 1987. Staff at the EPA headquarters then conducted a second review of these applications to identify areas that needed clarification. By September 17, 1987, the EPA headquarters' staff had requested the states to submit any amendments or clarifications to the applications, as necessary, and return these amendments or clarifications to EPA headquarters by September 21, 1987. Each state applying for these funds was required to include specific details on

how it intended to manage any federally awarded funds, including an explanation of its plans for administering the program and an estimate of the financial assistance required by the needy school districts in that state.

According to the chief of the State and Local Assistance Section of the EPA's Hazard Abatement Assistance Branch, the EPA headquarters received California's application on September 18, 1987, over two weeks past the deadline established by the EPA for the receipt of all applications. The EPA's regional office also received California's application on September 18, 1987. By this time, EPA officials had already completed two reviews of the applications received from other states and had requested amendments to these applications. An EPA official stated that the application process had proceeded to a point at which it was too late to consider California's application.

The director of the State's Department of General Services stated that the OLA did not meet the federal deadline because the OLA was not given the responsibility for obtaining the federal funds until October 1987. However, the director stated that before the formal assignment of responsibility, the OLA applied for federal funds in an attempt to forestall the loss but had insufficient time to compile the data and propose a plan.

On October 17, 1987, the EPA awarded \$5 million to 12 of the 27 states that applied for these federal funds or an average of over \$400,000 per application. The acting branch chief of the EPA's Hazard Abatement Assistance Branch anticipated that the amount of the awards to individual states would range from \$100,000 to \$500,000. Because the OLA was unable to meet the federal deadline for submitting applications for federal funds, the EPA did not consider California's application for federal funds. As a result, California and its school districts lost an opportunity to compete for up to \$500,000 in federal funding.

#### Corrective Action

In March 1988, the OLA requested that the SAB place limitations on the length of time that the SAB may keep asbestos abatement funds apportioned to school districts. The SAB agreed to approve the department's request. The new time limits require that school districts for which asbestos abatement funds have been apportioned for over one year submit to the OLA the necessary documentation to complete their applications by September 1988. If a school district fails to provide the documentation necessary to complete its application, the SAB will reduce the amount of the school district's apportioned funds to equal, as of that date, the amount of costs that the school district has incurred in abating its asbestos problems. In addition, school districts to which funds have been apportioned for one year or less than one year have one additional year

to submit the necessary documentation to release these funds. The SAB can make exceptions to this rule on a case-by-case basis.

### CONCLUSION

The State of California can improve its program to fund asbestos abatement projects in school districts. Specifically, the Office of Local Assistance (OLA) of the Department of General Services has been slow in processing school district's applications for asbestos abatement funds. As of February 3, 1988, 43 of the 100 applications in our sample are over two and one-half years old, and the OLA still has not released funds for these applications because of a lack of documentation from the school districts. As a result, these school districts have not received available state funds to abate asbestos in their schools. Further, new applicants are not receiving funds to abate asbestos because nearly all current asbestos abatement funds have been apportioned to many of those applications that are still pending. However, the SAB apportioned funds to some applications submitted in early 1985 even though the school districts had not submitted proof that asbestos problems existed. Moreover, the SAB still has funds apportioned to one of these school districts even though the school district still cannot provide the necessary documentation to prove that it qualifies for asbestos abatement funds. Because the OLA has not recommended that the



SAB rescind the funds apportioned to this school district, funds are unavailable for new applicants. Also, the OLA has failed to recommend that the SAB rescind funds apportioned to other applications that do not qualify for funding.

The delays in the processing of applications occurred because, until March 1988, the SAB had not established limits on how long it would keep funds apportioned to school districts. As a result, school districts have been slow in submitting the documentation required to support their applications for asbestos abatement funds. Furthermore, the OLA has not established deadlines for completing its internal processing of applications. Also, according to the executive officer of the OLA, the OLA has had insufficient staff to process applications. The OLA assigned more staff to process them, but the delays have continued to occur. The OLA has not requested additional staff to process the applications.

In addition, the State failed to meet a deadline for submitting to the Environmental Protection Agency an application for federal funds to inspect for asbestos-containing material and to develop plans to abate this asbestos. As a result, California and its school districts lost the opportunity to compete for up to \$500,000 in federal funds.

## RECOMMENDATIONS

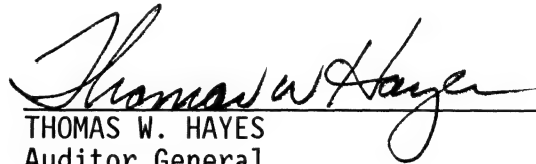
To more effectively administer its program to fund asbestos abatement projects in school districts, the Office of Local Assistance of the Department of General Services should take the following actions:

- Ensure that school districts promptly submit all documentation necessary to qualify for asbestos abatement funds by informing these school districts of the new time limits for reserving funds;
- Develop and implement deadlines for each step in the internal processing of school districts' applications, and ensure adherence to these deadlines;
- Propose to the State Allocation Board that it rescind all funds that it has apportioned to school districts that do not qualify for funding and school districts that cannot provide the necessary documentation to qualify for funding, and apportion these funds to eligible school districts currently applying for asbestos abatement funds; and

- In the future, meet all federal deadlines for submitting applications to the federal government for federal funds to inspect for asbestos-containing material and to develop plans for abating this asbestos.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

  
THOMAS W. HAYES  
Auditor General

Date: August 22, 1988

Staff: Thomas A. Britting, Audit Manager  
Robert E. Christophel, Audit Manager  
Mark A. Lowder  
Darcy Anderson  
Eric Thomas

## APPENDIX

### **TABLES SUMMARIZING INFORMATION REGARDING A SAMPLE OF 100 APPLICATIONS RECEIVED BY THE OFFICE OF LOCAL ASSISTANCE OF THE DEPARTMENT OF GENERAL SERVICES SINCE 1984 FROM SCHOOL DISTRICTS APPLYING FOR ASBESTOS ABATEMENT FUNDS**

The following tables summarize information obtained from a sample of 100 applications for asbestos abatement funds received by the Office of Local Assistance (OLA) of the Department of General Services from school districts since the fund was established in 1984. The tables present information on the types and numbers of applications for asbestos abatement funds and the amount of state funds for which school districts applied. Also, the tables show the amounts apportioned for pending applications, the amounts funded, and the length of time that the State took to fund applications or deny applications because they did not qualify for funding.

**TABLE A-1**

#### **THE NUMBER OF APPLICATIONS FUNDED, DENIED, PENDING WITH FUNDS APPORTIONED, AND PENDING WITHOUT FUNDS APPORTIONED FROM A SAMPLE OF 100 APPLICATIONS JANUARY 28, 1985 TO FEBRUARY 3, 1988**

<u>Type of Application</u>	<u>Number of Applications</u>	<u>Amount Applied for*</u>
Funded	24	\$ 365,525
Denied	14	779,578
Pending with funds apportioned	49	2,159,272
Pending without funds apportioned	<u>13</u>	<u>243,654</u>
Total	<u>100</u>	<u>\$3,548,029</u>

\* For two denied applications and two of the pending applications without funds apportioned, we could not obtain information about the amount applied for because the schools did not provide cost estimates in their applications.

TABLE A-2

THE LENGTH OF TIME TO FUND  
APPLICATIONS FOR ASBESTOS ABATEMENT FUNDS  
FROM A SAMPLE OF 100 APPLICATIONS  
JANUARY 28, 1985 TO FEBRUARY 3, 1988

<u>Number of Months To Fund Applications</u>	<u>Number of Applications</u>	<u>Amount Applied for</u>
0 - 6	3	\$107,884
7 - 12	3	16,961
13 - 18	5	171,439
19 - 24	2	30,283
25 - 30	6	15,774
31 - 36	4	20,554
37 - 42	1	2,630

TABLE A-3

THE LENGTH OF TIME TO DENY  
APPLICATIONS FOR ASBESTOS ABATEMENT FUNDS  
FROM A SAMPLE OF 100 APPLICATIONS  
JANUARY 28, 1985 TO FEBRUARY 3, 1988

<u>Number of Months To Deny Applications</u>	<u>Number of Applications*</u>	<u>Amount Applied for</u>
0 - 6	1	\$ 1,150
7 - 12	2	180,559
13 - 18	2	135,702
19 - 24	3	347,275
25 - 30	1	39,119
31 - 36	1	21,750

\* We could not determine how long the OLA took to deny four applications. Thus, we did not include them in the table.



# State and Consumer Services Agency

OFFICE OF THE SECRETARY

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Building Standards Commission  
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Museum of Science & Industry  
Personnel Board  
Public Employees' Retirement System  
Teachers' Retirement System  
Veterans Affairs

August 15, 1988

Mr. Thomas W. Hayes  
Auditor General  
660 J Street, Suite 300  
Sacramento, CA 95814

Dear Mr. Hayes:

Re: AUDIT REPORT P-773

Thank you for the opportunity to reply to your Report dated August 1988 on your audit of the Office of Local Assistance (OLA) within the Department of General Services.

As discussed in the recommendations section of your report, corrective actions are being taken. Our response to each of your recommendations is noted below.

Item 1.           Ensure that school districts promptly submit all documentation necessary to qualify for asbestos abatement funds by informing these school districts of the new time limits for reserving funds.

OLA Response:

As approved by the State Allocation Board (SAB) and noted in the audit, the OLA implemented a "time-limitations on asbestos abatement apportionments" on March 23, 1988. Essentially, the policy provides the following:

- . For those projects apportioned after March 23, 1988, school districts have 12 months from the date of project apportionment to complete the application process so that project funds may be released.
- . For those projects apportioned between March 23, 1987 and March 23, 1988, school districts have 12 months from the date of the apportionment or one year from March 23, 1988, whichever is longer, to complete the process.
- . For those projects apportioned prior to March 23,

1987, school districts have six months from March 23, 1988 to complete the project.

If documentation is not received, a recision proposal is submitted to the Board (see response, item 3).

Additionally, on May 25, 1988 the SAB approved a revised application package and guidebook to simplify the documentation procedure. School districts have been informed of the revised application and guidebook which should result in projects apportioned more expeditiously.

- Item 2. Develop and implement deadlines for each step in the internal processing of school districts' applications and ensure adherence to these deadlines.

OLA Response:

OLA is developing an automated database for tracking projects. The new system, when completed by November 1988, will automate specific items already required in the application process as well as deadlines for receipt of such documents.

OLA is also implementing staff performance goals to ensure timely and expeditious application reviews and fund releases.

- Item 3. Propose to the State Allocation Board that it rescind all funds that it has apportioned for school districts that do not qualify for funding and school districts that cannot provide the necessary documentation to qualify for funding, and apportion these funds to eligible school districts currently applying for asbestos abatement funds.

OLA Response:

Since the implementation of a "time limitation on apportionment policy" for districts which do not provide the necessary documentation, OLA staff will be proposing to the Board rescission of up to 68 projects in October 1988 and up to 156 projects in April 1989. All affected districts were notified commencing in April of this new policy.

A canvass of the 68 applications subject to the October 1988 time limitations indicates a total of approximately \$5.3 million apportioned for these projects. A preliminary staff review indicates that as much as \$1.3 million of approved projects may be rescinded due to districts not complying with the new time limitation policy.

State funds are apportioned to schools on a first come - first serve basis. We have found that many school districts make an immediate initial application to reserve the funds but do not complete the balance of the process promptly.

School districts have reported the following reasons as explanations for these delays:

1. Lack of qualified contractors, laboratories, etc. which are certified and available;
2. Most districts would prefer to work on asbestos projects during the summer months.
3. Districts lack funds to match state funds.

Item 4. In the future, meet all federal deadlines for submitting applications to the federal government for federal funds to inspect for asbestos-containing material and to develop plans for abating this asbestos.

OLA Response:

There are three primary types of federal programs for asbestos. These include:

A. Asbestos School Hazard Abatement Act (ASHAA)

From 1985 to 1988, the federal government authorized the allocation of \$156.8 million in loans and grants to assist school districts. California districts received \$1.2 million.

The role of the OLA in this process is to receive applications from districts across the state, and to submit all California applications as one package to the federal government. Since the inception of ASHAA, OLA has been timely in the submission of California ASHAA projects to the federal government.

B. Asbestos Inspection and Management Plan Assistance Program (AIMPAP)

On October 17, 1987 the federal government awarded \$5 million to 12 states for asbestos abatement. The maximum award was \$500,000.

When OLA learned of the program, an application was submitted for the first round of funding; however, the federal (EPA) deadline was not met, and thus, the EPA did not consider the California application.

In February 1988, California submitted a timely application for the second round of AIMPAP funding. Similar criteria were used; however, California did



not receive any funding as we did not qualify under the EPA criteria.

C. Asbestos Hazard Emergency Response Act (AHERA)

On October 30, 1987, EPA issued new rules for AHERA. The rules require Local Education Agencies to submit asbestos management plans to the state for each school in their jurisdiction by October 12, 1988. Because of the short response time to the October 12 deadline for the AHERA program, Congress passed HR 3893 providing an extension for the LEA's to respond.

As the State Agency designated to accept management plans, OLA has developed and mailed to all LEA's management plan and extension request forms as of August 12, 1988.

Again, I thank you for this opportunity to comment on your report. If you need further information, you may wish to have your staff contact W.J. Anthony, Director, Department of General Services at 445-3441.

Sincerely,

A handwritten signature in cursive script that reads "Shirley Chilton".

SHIRLEY R. CHILTON  
Secretary to the Agency

SRC:psf

cc: Members of the Legislature  
Office of the Governor  
Office of the Lieutenant Governor  
State Controller  
Legislative Analyst  
Assembly Office of Research  
Senate Office of Research  
Assembly Majority/Minority Consultants  
Senate Majority/Minority Consultants  
Capitol Press Corps